



NATIONAL CONFERENCE *of* STATE LEGISLATURES

The Forum for America's Ideas

January 13, 2005

The Honorable Jim Nussle
Chairman
House Budget Committee
303 Cannon House Office Building
Washington, DC 20515

The Honorable John Spratt
Ranking Member
House Budget Committee
1401 Longworth House Office Building
Washington, DC 20515

John Adams Hurson
*Chairman, Health & Government
Operations Committee
Maryland House of Delegates
President, NCSL*

James E. Greenwalt
*Director, Senate Information Systems
and Administrative Services
Minnesota
Staff Chair, NCSL*

William T. Pound
Executive Director

RE: Fiscal Year (FY) 2006 Budget Resolution.

Dear Representatives Nussle and Spratt:

The National Conference of State Legislatures, since the mid-1980s, has been a pioneer in the effort to reduce the federal budget deficit. The comprehensive policy statement on the federal budget that we developed at that time is as relevant in 2005 as it was two decades ago. We feel strongly that the federal deficit, for a host of reasons, must be reduced, but we also understand the difficult policy choices posed by this objective. Nowhere are these choices more difficult, more critical or more complex than those regarding state-federal programs. As the House Budget Committee considers the FY06 Budget Resolution, NCSL urges you to be mindful of the effects that federal budget decisions have on state budgets and to avoid exporting the federal deficit to the states through unfunded mandates and other cost shifts. In particular, we ask you to consider the following recommendations as you act on the Budget Resolution.

- **Maintain the federal government's fiscal commitment to the Medicaid program and its beneficiaries.** Medicaid services must continue to be provided to low-income individuals who need them. Medicaid is a critical component of our nation's economic recovery, providing health care to those who have lost jobs or whose employers no longer provide health care benefits. We are very aware of the need to work toward Medicaid reform and program efficiencies given the ongoing efforts of an NCSL task force on Medicaid. However, neither reform nor efficiencies should be included in the Budget Resolution or reconciliation process if they directly or indirectly shift additional costs to states or impose unfunded mandates. In addition, the Medicare Modernization Act (MMA) makes changes to the Medicaid program that will increase state expenditures. For example, all prices negotiated under the MMA are not included in the calculation of the Medicaid "best price." States will find it more difficult to negotiate supplemental rebates because the dual-eligibles will no longer be a part of their prescription drug portfolio. Indexing the Part B premium will also result in increased state costs and states expect to see increased administrative costs related to the requirement to conduct eligibility determinations for the low-income subsidy for Medicare Part D. We urge you to take these costs into consideration as you act on the Budget Resolution.
- **Ensure full funding for implementation of mandatory functions of implementing Medicare Part D.** States are required to conduct eligibility determinations for the new program as a condition

Denver
7700 East First Place
Denver, Colorado 80230
Phone 303.364.7700 Fax
303.364.7800

Washington
444 North Capitol Street, N.W.
Suite 515
Washington, D.C. 20001
Phone 202.624.5400 Fax
202.737.1069

Website
www.ncsl.org

of receiving federal matching assistance payments (FMAP). States also have staff training, software improvement, computer hardware and educational material needs to carry out their implementation responsibilities. All of these program-related needs should be funded in the FY2006 Budget Resolution as we address numerous unanswered questions regarding the “clawback” provision.

- **Maintain the federal government’s existing statutory and fiscal obligations for entitlement and mandatory programs.** NCSL will not support any reduction in the federal commitment to existing entitlement and mandatory programs that imposes new unfunded mandates or results in cost shifts to states. Reductions to Medicaid and Medicare Part D (as cited above) or the State Children’s Health Program, the Temporary Assistance for Needy Families Block Grant, the Child Care and Development Block Grant, Food Stamps and others would be unacceptable given the uncertainty of near-term economic growth, persisting state fiscal challenges and our nation’s commitment to assist those in need. NCSL will work with you to reform or modify these programs in reauthorizations or other efforts, but not at the expense of potentially strangling services or at the risk of shifting costs to states.
- **Reduce the annual level of federal unfunded mandates by providing an additional \$4 billion, above the FY 2005 level, for the Individuals with Disabilities Education Act (IDEA).**
The Budget Resolution should provide \$4 billion above the FY 2005 funding level for IDEA. This would bring the federal government’s commitment up to the levels set in the recent reauthorization. It should further assume incremental \$2 billion dollar increases beyond FY 2006 until the Congress meets its promise to provide funds for excess costs, estimated to be 40% above K-12 average per pupil expenditures, for special education students. This increase would accomplish a modest reduction in the \$25 billion in NCSL-estimated annual unfunded federal mandates with which states must comply.
- **Ensure full funding for the 2006 implementation of federal rules regarding state-issued driver’s licenses and birth certificates and provide a mechanism to delay implementation if full funding is not provided.** In 2006, state issued-driver’s licenses and birth certificates will be required to meet federal standards, as set forth by rule, in order to be recognized for federal purposes, i.e., access to airline travel, eligibility for federal benefits and employment certification. The rulemaking process for the driver’s licenses is required to include a cost estimate. We urge you to ensure that the Budget Resolution commits to fully fund the implementation of the standards and contains the necessary provisions to delay or scale back the standards until full funding is provided.

I appreciate your consideration of our concerns and am willing to work closely with you to address issues related to the FY 2006 Budget Resolution. For additional assistance and information, please have your staff contact Molly Stauffer (202-624-3584; molly.stauffer@ncsl.org) in NCSL’s Washington, D.C. office.

Respectfully,



Delegate John Hurson
Maryland House of Delegates
President, NCSL



Senator Steve Rauschenberger
Illinois Senate
President Elect, NCSL